

# **BELABELA LOCAL MUNICIPALITY**



## **ADJUSTMENT BUDGET**

**2014/15**

## Acronyms and abbreviations

BSC	Budget Steering Committee
CFO	Chief Financial Officer
MM	Municipal Manager
CPI	Consumer Price Index
CRRF	Capital Replacement Reserve Fund
DORA	Division of Revenue Act
FBS	Free basic services
GVA	Gross Value Added
GFS	Government Financial Statistics
GRAP	General Recognised Accounting Practice
IBT	Inclining Block Tariff
IDP	Integrated Development Plan
kl	kilolitre
km	kilometre
KPA	Key Performance Area
KPI	Key Performance Indicator
kWh	kilowatt hour
l	litre
LED	Local Economic Development
MEC	Member of the Executive Committee
MFMA	Municipal Financial Management Act (56 of 2003)
MIG	Municipal Infrastructure Grant
EXCO	Executive Committee
MPRA	Municipal Properties Rates Act
MSA	Municipal Systems Act
MTREF	Medium-term Revenue and Expenditure Framework
NERSA	National Electricity Regulator of South Africa
PBO	Public Benefit Organisations
PMS	Performance Management System
PPE	Property Plant and Equipment
PPP	Public Private Partnership
SALGA	South African Local Government Association
SDBIP	Service Delivery Budget Implementation Plan

## Table of Contents

<b>Part 1 – ADJUSTMENT BUDGET</b> .....	4
1.1 Mayor’s report .....	4
1.2 Resolutions .....	4
1.3 Executive summary .....	5
1.3.1 Adjustment budget key factors .....	5
1.3.2 Key challenges .....	6
1.3.3 Adjusted operating revenue .....	6
1.3.4 Adjusted operating expenditure .....	7
1.3.5 Adjusted capital expenditure .....	8
1.4 Adjustment budget tables .....	10
<b>Part 2 – SUPPORTING DOCUMENTATION</b> .....	25
2.1 Adjustment budget assumptions .....	25
2.1.1 Collection rate for revenue services .....	25
2.2 Adjustment budget funding .....	25
2.3 Adjustment on allocations and grant programmes .....	26
2.4 Adjustment to allocations made by the Municipality .....	26
2.5 Adjustment to councillors allowances and employee cost .....	26
2.6 Adjustment to service delivery and budget implementation plan .....	26
2.7 Adjustment to capital expenditure .....	27
2.8 Municipal manager’s quality certification .....	27

## **Part 1 – ADJUSTMENT BUDGET**

### **1.1 Mayor's report**

The Mayor's report on the adjustment budget will be tabled separately by the Mayor during the Municipal Council meeting for adoption.

### **1.2 Resolutions**

The Council of Bela-Bela Local Municipality will meet on Wednesday 04 February 2015 to approve the adjustment budget for the 2014/15 financial year in terms of sections 160(2)(b) of the Constitution ((Act 108 of 1996, as amended) and 28(4) of the Municipal Finance Management Act (56 of 2003), read with paragraph 23 of the Municipal Budget and Reporting Regulations (issued in terms of notice 393 of 2009).

The following resolutions are recommended:

1. That Council approves the operational and capital adjustment budget for the 2014/15 financial year (As contained in the main tables 1 to table 10)
2. That Council approves additional revenues that have become available over and above those anticipated in the annual budget
3. That Council approves the adjustment of expenditure estimates upwards in order to cater for the increased revenue
4. That Council approves budget amendments necessary to correct errors in the annual budget
5. Directs that the Accounting Officer adheres to section 22 of the Municipal Finance Management Act, read with paragraph 24(1) of the Municipal Budget and Reporting Regulations. The regulations require the municipal manager to submit the adjustment budget and supporting documentation to National Treasury and the Provincial Treasury within ten (10) working days after tabling to Council, in both printed and electronic copies.
6. Notes that municipal tax and tariffs may not be increased during a financial year except when required in terms of a financial recovery plan. As such no increases in taxes and tariffs have been factored in this adjustment budget.

## 1.3 Executive summary

This adjustment budget has been compiled in line with section 28 of the MFMA, read with Part 4 of the Municipal Budget and Reporting Regulations which deal with adjustment budgets of municipalities. Section 28(2) of the MFMA states that:-

(2) An adjustments budget-

- a) must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;
- b) may appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for (**in other words, there should not be new projects or programmes in the adjustments budget**);
- c) may, within a prescribed framework, authorise unforeseen and unavoidable expenditure [**recommended**] by the mayor of the municipality;
- d) may authorise the utilisation of projected savings in one vote towards spending under another vote;
- e) may authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by council;
- f) may correct any errors in the annual budget; and
- g) may provide for any other expenditure within a prescribed framework.

### 1.3.1 Adjustment budget key factors

The following key factors were taken into consideration when preparing and compiling the 2014/15 adjustments budget, namely:

- The Medium Term Budget Policy Statement (MTBPS).
- The mid-year budget and performance assessment report compiled in terms of section 72 of the MFMA;
- The monthly budget statements published in terms of section 71 of the MFMA;
- The comments received from the Limpopo Provincial Treasury on the 2014/15 approved budget. That is, although the comments were received after the 2014/15 budget was approved by Council, they were taken into consideration when compiling this adjustments budget;
- The errors in the approved budget;
- The restructuring of votes. Some votes were restructured in order to align financial statement accounting policies to the budget preparation principles.
- Funds were allocated to activities which are consistent with the revised IDP and vice versa ensuring the IDP is realistically achievable given the financial constraints of the Municipality;
- Objectives are achievable in terms of the agreed service delivery and performance targets;

- Estimates comprise of revenue and expenditure projections that are consistent with current and past performance and supported by documented evidence of future assumptions;
- The increased expenditure does not jeopardize the financial viability of the municipality i.e. ensures that the financial position is maintained within generally accepted prudent limits and that obligations can be met in the short, medium and long term;
- Although the collection rate for services charges increased substantially from the budgeted 85% to an average of 94% in the first six month of the financial year. The municipality had adopted a conservative approach when preparing this adjustment budget.

### 1.3.2 Key challenges

The main challenges experienced during the compilation of the 2014/15 adjustments budget can be summarized as follows:

- The ongoing difficulties in the national and local economy, particularly the rising cost of living as measured by CPIX;
- Financing of non-cash items forces the increase in tariffs to unaffordable level by our customers
- Setting aside surplus cash to accumulate cash backed reserves for own source funded capital projects
- The need to reprioritize projects and expenditure within the existing resource envelope given the cash flow realities of the municipality.
- Aging and insufficiently funded water, roads and electricity infrastructure; and
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities of the municipality.

The rates and tariffs for various municipal services are not increased in this adjustments budget in line with section 28(6) of the MFMA.

### 1.3.3 Adjusted operating revenue

The table below shows the additional operating revenues that are realistically anticipated.

Table 1: Operating revenue summary			
Description	Original Budget	Adjustments	Adjusted Budget
<b>R thousands</b>			
Property rates	59 401	(5 602)	53 799
Service charges	145 753	(6 217)	139 535
Investment revenue	376	1 624	2 000
Transfers recognised - operational	60 905	1 000	61 905
Other own revenue	40 744	9 259	50 003
<b>Total Revenue</b>	<b>307 179</b>	<b>63</b>	<b>307 242</b>

- Total operating revenue has been adjusted upwards by R63 000.

- Property rates, service charges and operational grants have been adjusted as a result of correcting errors in the annual budget.
- Investment revenue has been adjusted upwards by R1.6 Million as a result of additional income earned on investments.
- Other revenue has been adjusted upwards by R9.2 Million in order to accommodate income from sale of assets on an auction that was conducted in July 2014, VAT audit will also be conducted in the fourth quarter of the financial year which will result in increase in other income as well.
- Additional revenue from sale of land will also increase other revenue.

### 1.3.4 Adjusted operating expenditure

The table 2 below shows the additional operating expenditure that is realistically anticipated and/ or confirmed.

Table 2: Operating expenditure			
Description	Original Budget	Adjustments	Adjusted Budget
<b>R thousands</b>			
Employee costs	91 494	(34)	91 459
Remuneration of councillors	5 956	–	5 956
Depreciation & asset impairment	22 040	(8 000)	14 040
Finance charges	3 100	(2 000)	1 100
Materials and bulk purchases	92 842	(3 277)	89 564
Transfers and grants	–	–	–
Other expenditure	81 549	9 362	90 911
<b>Total Expenditure</b>	<b>296 979</b>	<b>(3 949)</b>	<b>293 030</b>

- Total expenditure is adjusted downwards by R3.9 million.
- Employee cost has been adjusted as result of correcting errors in the original budget.
- Depreciation and asset impairment has been adjusted downwards by R8 million in a compensation for the depreciation on assets sold during the auction that has happened in July 2014.
- Long term borrowings (INCA Loan) has been restructured to be repaid in shorter term which resulted in R2 Million savings in finance cost.
- Material and bulk purchases were adjusted as a result of correcting errors in original budget (Funds spared for capital assets acquisition moved to capital budget)
- Other expenditure has been adjusted upwards by R9.3 million as a result of the following:
  - Security services alignment to the new contract resulted in increase of R1.7 million
  - Large number of evictions of illegal RDP houses occupants has exhausted the legal costs vote , legal costs are adjusted upwards by R1.5 million
  - Acquisition of Microsoft servers licenses necessitated the upwards adjustment of computer licenses cost by R4 million

- Debt collection cost was not properly budgeted on the original budget, budgeting of collection cost resulted in upwards adjustment of other expenditure by R6 million
- Fleet alignment to the new contract resulted in upwards adjustment of other expenditure by R6 million
- Correction of errors in the original budget (re-mapping of indigent subsidies votes)

### 1.3.5 Adjusted capital expenditure

Table below depicts adjustments to the capital budget.

Table 3: Capital budget				
No	Project	Original budget	Adjustments	Adjustment budget
1	Bela-Bela Roads Tarring	10 000	2 514	12 514
2	Electrical Assets	1 400	1 400	1 400
3	BULK INFRASTRUCTURE EXT 9	4 025	318	4 343
4	MULTI PURPOSE Centre EXT6	5 000	7 442	12 442
5	BELA BELA HIGH Stadium	1 103	-	1 103
6	ROAD PAVING PHASE 4	3 500	1 024	4 524
7	Limpopo Stormwater	3 700	-1 024	2 676
8	Upgrade Moloto Street Facility	3 755	-3 755	-
9	Airport	500	500	500
10	FURNITURE (Testing Station)	500	500	500
Total		33 483	8 919	40 003

Total capital budget has been adjusted upwards by R8.9 million and the adjustments can be explained as follows:

#### **Bela-Bela Road tarring**

- All bidders who have submitted the bids proposed above budget bit amounts.
- Specifications had to be amended resulting in upwards adjustment of the project value by R2.5 million (exl)
- The tender was re-advertised and a contractor has been re-appointed to commence construction in the third quarter of the financial year.



### **Electrical Assets**

- Continuous ESKOM load shedding interrupts Municipal operations and water supply to the community.
- Electricity backup generators were incorrectly budgeted for in the operating budget
- R1.4 million was shifted from operational budget to capital budget.

### **Multipurpose Centre EXT6**

- R3.7 Million was shifted from Moloto stadium to Multipurpose Centre project
- This project was initially budgeted for R5 million
- The adjusted budget will now be R8.7 million
- This multi-year project will now be completed in shorter period

### **Limpopo Street Storm water**

- R1 million has been shifted to compensate for the shortfall in the completion of the streets paving phase 4 project.

### **Upgrade Moloto Street Stadium**

- There are currently legal challenges on this project
- To avoid forfeiting MIG grant funds due to non-expenditure, budget allocated to this project has been moved to the Multipurpose Centre project
- The project will be continued in future financial years after settling legal matters.

### **Resurfacing of airport**

- The expenditure was incorrectly budgeted for in the operating expenditure on the original budget.
- R500 000 was shifted from operational budget to capital budget.

### **Furniture (Testing station)**

- The expenditure was incorrectly budgeted for in the operating expenditure on the original budget.
- R500 000 was shifted from operational budget to capital budget as a correction of error in the original budget.

## 1.4 Adjustment budget tables

The following pages present the ten (10) main adjustments budget tables as required in terms of section Schedule B of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2014/15 adjustments budget as approved by the Council. Each table is accompanied by explanatory notes on the facing page.

LIM366 Bela Bela - Table B1 Adjustments Budget Summary - 2014/02/30

Description	Budget Year 2014/15									Budget Year +1 2015/16	Budget Year +2 2016/17
	Original Budget	Prior Adjusted 1	Accum. Funds 2	Multi-year capital 3	Unfore. Unavoid. 4	Nat. or Prov. Govt 5	Other Adjusts. 6	Total Adjusts. 7	Adjusted Budget 8	Adjusted Budget	Adjusted Budget
R thousands	A	A1	B	C	D	E	F	G	H		
<b>Financial Performance</b>											
Property rates	59,401	-	-	-	-	-	(5,602)	(5,602)	53,799	62,773	66,096
Service charges	145,753	-	-	-	-	-	(6,217)	(6,217)	139,535	148,286	161,321
Investment revenue	376	-	-	-	-	-	1,624	1,624	2,000	396	418
Transfers recognised - operational	60,905	-	-	-	-	-	1,000	1,000	61,905	69,417	74,565
Other own revenue	40,744	-	-	-	-	-	9,259	9,259	50,003	39,786	41,938
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>307,179</b>	-	-	-	-	-	<b>63</b>	<b>63</b>	<b>307,242</b>	<b>320,658</b>	<b>344,337</b>
Employee costs	91,494	-	-	-	-	-	(34)	(34)	91,459	95,174	101,237
Remuneration of councillors	5,956	-	-	-	-	-	-	-	5,956	6,310	6,688
Depreciation & asset impairment	22,040	-	-	-	-	-	(8,000)	(8,000)	14,040	32,680	36,272
Finance charges	3,100	-	-	-	-	-	(2,000)	(2,000)	1,100	3,100	3,100
Materials and bulk purchases	92,842	-	-	-	-	-	(3,277)	(3,277)	89,564	99,816	106,736
Transfers and grants	-	-	-	-	-	-	-	-	-	-	-
Other expenditure	81,549	-	-	-	-	-	9,362	9,362	90,911	66,333	65,703
<b>Total Expenditure</b>	<b>296,979</b>	-	-	-	-	-	<b>(3,949)</b>	<b>(3,949)</b>	<b>293,030</b>	<b>303,414</b>	<b>319,736</b>
<b>Surplus/(Deficit)</b>	<b>10,200</b>	-	-	-	-	-	<b>4,012</b>	<b>4,012</b>	<b>14,212</b>	<b>17,244</b>	<b>24,601</b>
Transfers recognised - capital	22,193	-	-	-	-	-	-	-	22,193	23,157	24,033
Contributions recognised - capital & contributed a	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>32,393</b>	-	-	-	-	-	<b>4,012</b>	<b>4,012</b>	<b>36,405</b>	<b>40,401</b>	<b>48,634</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/ (Deficit) for the year</b>	<b>32,393</b>	-	-	-	-	-	<b>4,012</b>	<b>4,012</b>	<b>36,405</b>	<b>40,401</b>	<b>48,634</b>
<b>Capital expenditure &amp; funds sources</b>											
<b>Capital expenditure</b>	<b>31,083</b>	-	-	-	-	-	<b>8,920</b>	<b>8,920</b>	<b>40,003</b>	<b>31,999</b>	<b>32,831</b>
Transfers recognised - capital	21,083	-	-	-	-	-	-	-	21,083	21,999	22,831
Public contributions & donations	-	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-	-
Internally generated funds	10,000	-	-	-	-	-	8,920	8,920	18,920	10,000	10,000
<b>Total sources of capital funds</b>	<b>31,083</b>	-	-	-	-	-	<b>8,920</b>	<b>8,920</b>	<b>40,003</b>	<b>31,999</b>	<b>32,831</b>
<b>Financial position</b>											
Total current assets	39,742	-	-	-	-	-	37,200	37,200	76,942	85,103	94,817
Total non current assets	368,452	-	-	-	-	-	-	-	368,452	369,172	369,822
Total current liabilities	27,774	-	-	-	-	-	-	-	27,774	27,201	22,758
Total non current liabilities	51,950	-	-	-	-	-	-	-	51,950	55,408	58,766
<b>Community wealth/Equity</b>	<b>328,470</b>	-	-	-	-	-	<b>37,200</b>	<b>37,200</b>	<b>365,670</b>	<b>371,666</b>	<b>340,714</b>
<b>Cash flows</b>											
Net cash from (used) operating	57,833	-	-	-	-	-	(40,262)	(40,262)	17,571	76,481	84,906
Net cash from (used) investing	(32,193)	-	-	-	-	-	(4,510)	(4,510)	(36,703)	(33,157)	(34,033)
Net cash from (used) financing	-	-	-	-	-	-	-	-	-	-	-
<b>Cash/cash equivalents at the year end</b>	<b>81,515</b>	-	-	-	-	-	<b>(44,772)</b>	<b>(44,772)</b>	<b>36,743</b>	<b>80,067</b>	<b>50,873</b>
<b>Cash backing/surplus reconciliation</b>											
Cash and investments available	10,000	-	-	-	-	-	37,200	37,200	47,200	49,520	52,400
Application of cash and investments	(12,157)	-	-	-	-	-	39,600	39,600	27,443	26,885	22,457
<b>Balance - surplus (shortfall)</b>	<b>22,157</b>	-	-	-	-	-	<b>(2,400)</b>	<b>(2,400)</b>	<b>19,757</b>	<b>22,635</b>	<b>29,943</b>
<b>Asset Management</b>											
Asset register summary (WDV)	358,452	-	-	-	-	-	-	-	358,452	359,172	359,822
Depreciation & asset impairment	22,040	-	-	-	-	-	(8,000)	(8,000)	14,040	32,680	36,272
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	31,083	-	-	-	-	-	-	-	31,083	21,485	32,831
<b>Free services</b>											
Cost of Free Basic Services provided	4,250	-	-	-	-	-	-	-	3,400	4,250	4,250
Revenue cost of free services provided	11,400	-	-	-	-	-	-	-	11,400	11,400	11,400
<b>Households below minimum service level</b>											
Water:	11,468	-	-	-	-	-	-	-	11,468	9,868	9,868
Sanitation/sewerage:	14	-	-	-	-	-	-	-	14	12	11
Energy:	-	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-	-

### Explanatory notes to MBRR Table B1 - Budget Summary

- Table B1 is the adjustments budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
- The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and

funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.

- Financial management reforms emphasise the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:

LIM366 Bela Bela - Table B2 Adjustments Budget Financial Performance (standard classification) -

Standard Description	Ref	Budget Year 2014/15									Budget Year +1 2015/16	Budget Year +2 2016/17
		Original Budget	Prior Adjusted 5	Accum. Funds 6	Multi-year capital 7	Unfore. Unavoid. 8	Nat. or Prov. Govt 9	Other Adjusts. 10	Total Adjusts. 11	Adjusted Budget 12	Adjusted Budget	Adjusted Budget
R thousands	1, 4	A	A1	B	C	D	E	F	G	H		
<b>Revenue - Standard</b>												
<i>Governance and administration</i>		142,175	-	-	-	-	-	(1,195)	(1,195)	140,980	142,230	151,238
Executive and council		-	-	-	-	-	-	-	-	-	-	-
Budget and treasury office		140,363	-	-	-	-	-	(1,195)	(1,195)	139,168	140,320	149,225
Corporate services		1,812	-	-	-	-	-	-	-	1,812	1,910	2,013
<i>Community and public safety</i>		17,005	-	-	-	-	-	259	259	17,263	17,893	18,829
Community and social services		366	-	-	-	-	-	259	259	625	390	415
Sport and recreation		-	-	-	-	-	-	-	-	-	-	-
Public safety		16,638	-	-	-	-	-	-	-	16,638	17,503	18,414
Housing		-	-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		23,551	-	-	-	-	-	-	-	23,551	24,527	25,417
Planning and development		233	-	-	-	-	-	-	-	233	245	259
Road transport		23,318	-	-	-	-	-	-	-	23,318	24,282	25,158
Environmental protection		-	-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>		146,641	-	-	-	-	-	1,000	1,000	147,641	159,165	172,887
Electricity		108,318	-	-	-	-	-	-	-	108,318	116,357	124,997
Water		31,789	-	-	-	-	-	1,000	1,000	32,789	35,888	40,562
Waste water management		-	-	-	-	-	-	-	-	-	-	-
Waste management		6,534	-	-	-	-	-	-	-	6,534	6,919	7,327
<i>Other</i>		-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Standard</b>	2	329,372	-	-	-	-	-	63	63	329,435	343,815	368,370
<b>Expenditure - Standard</b>												
<i>Governance and administration</i>		135,315	-	-	-	-	-	(5,256)	(5,256)	130,059	129,038	133,702
Executive and council		19,119	-	-	-	-	-	7	7	19,127	18,041	19,021
Budget and treasury office		71,565	-	-	-	-	-	(20,967)	(20,967)	50,598	65,479	70,412
Corporate services		44,631	-	-	-	-	-	15,704	15,704	60,335	45,518	44,268
<i>Community and public safety</i>		24,943	-	-	-	-	-	180	180	25,122	27,408	28,970
Community and social services		10,713	-	-	-	-	-	(525)	(525)	10,188	12,267	12,860
Sport and recreation		-	-	-	-	-	-	-	-	-	-	-
Public safety		14,230	-	-	-	-	-	704	704	14,934	15,140	16,109
Housing		-	-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		20,603	-	-	-	-	-	(580)	(580)	20,023	21,911	23,233
Planning and development		8,420	-	-	-	-	-	140	140	8,560	9,065	9,629
Road transport		12,183	-	-	-	-	-	(720)	(720)	11,463	12,846	13,603
Environmental protection		-	-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>		116,119	-	-	-	-	-	1,707	1,707	117,825	125,058	133,832
Electricity		82,896	-	-	-	-	-	(1,746)	(1,746)	81,150	87,332	93,016
Water		24,248	-	-	-	-	-	1,789	1,789	26,037	26,463	28,928
Waste water management		-	-	-	-	-	-	-	-	-	-	-
Waste management		8,974	-	-	-	-	-	1,664	1,664	10,638	11,264	11,888
<i>Other</i>		-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Standard</b>	3	296,979	-	-	-	-	-	(3,949)	(3,949)	293,030	303,414	319,736
<b>Surplus/ (Deficit) for the year</b>		32,392	-	-	-	-	-	4,013	4,013	36,405	40,401	48,634

## Explanatory notes to MBRR Table B2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

- Table B2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enable the National Treasury to compile 'whole of government' reports.

LIM366 Bela Bela - Table B3 Adjustments Budget Financial Performance (revenue and expenditure by municipal vote) -

Vote Description  <i>[Insert departmental structure etc]</i>	Ref	Budget Year 2014/15									Budget Year +1 2015/16	Budget Year +2 2016/17
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands		A	A1	B	C	D	E	F	G	H		
<b>Revenue by Vote</b>	1											
Vote 1 - Chief Financial Officer		140,363	-	-	-	-	-	(1,195)	(1,195)	139,168	140,320	149,225
Vote 2 - Corporate Services		1,622	-	-	-	-	-	190	190	1,812	1,910	2,013
Vote 3 - Mayor		-	-	-	-	-	-	-	-	-	-	-
Vote 4 - Municipal Manager		-	-	-	-	-	-	-	-	-	-	-
Vote 5 - Planning and Economic Development		423	-	-	-	-	-	(190)	(190)	233	245	259
Vote 6 - Social and Community Services		23,539	-	-	-	-	-	259	259	23,797	24,812	26,156
Vote 7 - Speaker		23,316	-	-	-	-	-	(23,316)	(23,316)	-	-	-
Vote 8 - Technical Services		140,109	-	-	-	-	-	24,316	24,316	164,425	176,528	190,717
Vote 9 - Balance Sheet		-	-	-	-	-	-	-	-	-	-	-
Vote 10 -		-	-	-	-	-	-	-	-	-	-	-
Vote 11 -		-	-	-	-	-	-	-	-	-	-	-
Vote 12 -		-	-	-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-	-	-
Vote 15 -		-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	2	329,372	-	-	-	-	-	63	63	329,435	343,815	368,370
<b>Expenditure by Vote</b>	1											
Vote 1 - Chief Financial Officer		69,741	-	-	-	-	-	(19,143)	(19,143)	50,598	65,479	70,412
Vote 2 - Corporate Services		30,257	-	-	-	-	-	30,078	30,078	60,335	45,518	44,268
Vote 3 - Mayor		2,231	-	-	-	-	-	5	5	2,235	2,372	2,523
Vote 4 - Municipal Manager		5,807	-	-	-	-	-	1,353	1,353	7,160	5,480	5,821
Vote 5 - Planning and Economic Development		21,036	-	-	-	-	-	(12,475)	(12,475)	8,560	9,065	9,629
Vote 6 - Social and Community Services		38,851	-	-	-	-	-	(3,091)	(3,091)	35,760	38,671	40,858
Vote 7 - Speaker		11,301	-	-	-	-	-	(1,570)	(1,570)	9,731	10,189	10,678
Vote 8 - Technical Services		117,756	-	-	-	-	-	895	895	118,650	126,640	135,547
Vote 9 - Balance Sheet		-	-	-	-	-	-	-	-	-	-	-
Vote 10 -		-	-	-	-	-	-	-	-	-	-	-
Vote 11 -		-	-	-	-	-	-	-	-	-	-	-
Vote 12 -		-	-	-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-	-	-
Vote 15 -		-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	2	296,979	-	-	-	-	-	(3,949)	(3,949)	293,030	303,414	319,736
<b>Surplus/ (Deficit) for the year</b>	2	32,393	-	-	-	-	-	4,013	4,013	36,405	40,401	48,634

### Explanatory notes to MBRR Table B3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

- Table B3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the municipality. This means it is possible to present the operating surplus or deficit of a vote; and
- The table shows that the BTO is the largest generator of revenue, particularly from Rates and service charges whereas technical Services department is the largest department incurring operating expenditure, The larger is due to the size of the department as well as its responsibility over service delivery projects such as water, electricity and sanitation.

LIM366 Bela Bela - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) -

Description	Ref	Budget Year 2014/15									Budget Year +1 2015/16	Budget Year +2 2016/17
		Original Budget	Prior Adjusted 3 A1	Accum. Funds 4 B	Multi-year capital 5 C	Unfore. Unavoid. 6 D	Nat. or Prov. Govt 7 E	Other Adjusts. 8 F	Total Adjusts. 9 G	Adjusted Budget 10 H	Adjusted Budget	Adjusted Budget
R thousands	1	A	A1	B	C	D	E	F	G	H		
<b>Revenue By Source</b>												
Property rates	2	59,401	-	-	-	-	-	(5,602)	(5,602)	53,799	62,773	66,096
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	103,517	-	-	-	-	-	(5)	(5)	103,512	107,966	116,119
Service charges - water revenue	2	24,433	-	-	-	-	-	(2,287)	(2,287)	22,146	23,610	27,538
Service charges - sanitation revenue	2	7,310	-	-	-	-	-	(1,931)	(1,931)	5,379	5,619	5,940
Service charges - refuse revenue	2	6,490	-	-	-	-	-	(1,995)	(1,995)	4,496	6,873	7,279
Service charges - other		4,002	-	-	-	-	-	-	-	4,002	4,218	4,446
Rental of facilities and equipment		1,616	-	-	-	-	-	-	-	1,616	1,704	1,796
Interest earned - external investments		376	-	-	-	-	-	1,624	1,624	2,000	396	418
Interest earned - outstanding debtors		10,333	-	-	-	-	-	-	-	10,333	10,891	11,479
Dividends received		-	-	-	-	-	-	-	-	-	-	-
Fines		-	-	-	-	-	-	6,000	6,000	6,000	6,324	6,665
Licences and permits		10,000	-	-	-	-	-	-	-	10,000	10,540	11,109
Agency services		-	-	-	-	-	-	-	-	-	-	-
Transfers recognised - operating		60,905	-	-	-	-	-	1,000	1,000	61,905	69,417	74,565
Other revenue	2	18,795	-	-	-	-	-	3,259	3,259	22,054	10,327	10,888
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		307,179	-	-	-	-	-	63	63	307,242	320,658	344,337
<b>Expenditure By Type</b>												
Employee related costs		91,494	-	-	-	-	-	(34)	(34)	91,459	95,174	101,237
Remuneration of councillors		5,956	-	-	-	-	-	-	-	5,956	6,310	6,688
Debt impairment		-	-	-	-	-	-	-	-	-	-	-
Depreciation & asset impairment		22,040	-	-	-	-	-	(8,000)	(8,000)	14,040	32,680	36,272
Finance charges		3,100	-	-	-	-	-	(2,000)	(2,000)	1,100	3,100	3,100
Bulk purchases		73,064	-	-	-	-	-	-	-	73,064	77,820	82,955
Other materials		19,778	-	-	-	-	-	(3,277)	(3,277)	16,501	21,996	23,781
Contracted services		24,924	-	-	-	-	-	8,722	8,722	33,645	26,390	27,780
Transfers and grants		-	-	-	-	-	-	-	-	-	-	-
Other expenditure		56,625	-	-	-	-	-	641	641	57,266	39,943	37,923
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-
Total Expenditure		296,979	-	-	-	-	-	(3,949)	(3,949)	293,030	303,414	319,736
Surplus/(Deficit)		10,200	-	-	-	-	-	4,012	4,012	14,212	17,244	24,601
Transfers recognised - capital		22,193	-	-	-	-	-	-	-	22,193	23,157	24,033
Contributions		-	-	-	-	-	-	-	-	-	-	-
Contributed assets		-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) before taxation		32,393	-	-	-	-	-	4,012	4,012	36,405	40,401	48,634
Taxation		-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		32,393	-	-	-	-	-	4,012	4,012	36,405	40,401	48,634
Attributable to minorities		-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		32,393	-	-	-	-	-	4,012	4,012	36,405	40,401	48,634
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year		32,393	-	-	-	-	-	4,012	4,012	36,405	40,401	48,634

### Explanatory notes to Table B4 - Budgeted Financial Performance (revenue and expenditure)

- Total revenue was R307.1 million in 2014/15 approved budget and is adjusted upwards to R307.2 million in the adjusted budget.

LIM366 Bela Bela - Table B5 Adjustments Capital Expenditure Budget by vote and funding -

Description	Ref	Budget Year 2014/15									Budget Year +1 2015/16	Budget Year +2 2016/17
		Original Budget	Prior Adjusted 5	Accum. Funds 6	Multi-year capital 7	Unfore. Unavoid. 8	Nat. or Prov. Govt 9	Other Adjusts. 10	Total Adjusts. 11	Adjusted Budget 12	Adjusted Budget	Adjusted Budget
		A	A1	B	C	D	E	F	G	H		
<b>R thousands</b>												
<b>Capital expenditure - Vote</b>												
<b>Multi-year expenditure to be adjusted</b>	2											
Vote 1 - Chief Financial Officer		-	-	-	-	-	-	-	-	-	-	-
Vote 2 - Corporate Services		-	-	-	-	-	-	-	-	-	-	-
Vote 3 - Mayor		-	-	-	-	-	-	-	-	-	-	-
Vote 4 - Municipal Manager		-	-	-	-	-	-	-	-	-	-	-
Vote 5 - Planning and Economic Development		-	-	-	-	-	-	-	-	-	-	-
Vote 6 - Social and Community Services		9,858	-	-	-	-	-	4,187	4,187	14,045	12,200	3,605
Vote 7 - Speaker		-	-	-	-	-	-	-	-	-	-	-
Vote 8 - Technical Services		21,225	-	-	-	-	-	4,733	4,733	25,958	19,799	29,226
Vote 9 - Balance Sheet		-	-	-	-	-	-	-	-	-	-	-
Vote 10 -		-	-	-	-	-	-	-	-	-	-	-
Vote 11 -		-	-	-	-	-	-	-	-	-	-	-
Vote 12 -		-	-	-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-	-	-
Vote 15 -		-	-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	3	31,083	-	-	-	-	-	8,920	8,920	40,003	31,999	32,831
<b>Single-year expenditure to be adjusted</b>	2											
Vote 1 - Chief Financial Officer		-	-	-	-	-	-	-	-	-	-	-
Vote 2 - Corporate Services		-	-	-	-	-	-	-	-	-	-	-
Vote 3 - Mayor		-	-	-	-	-	-	-	-	-	-	-
Vote 4 - Municipal Manager		-	-	-	-	-	-	-	-	-	-	-
Vote 5 - Planning and Economic Development		-	-	-	-	-	-	-	-	-	-	-
Vote 6 - Social and Community Services		9,858	-	-	-	-	-	4,187	4,187	14,045	12,200	3,605
Vote 7 - Speaker		-	-	-	-	-	-	-	-	-	-	-
Vote 8 - Technical Services		21,225	-	-	-	-	-	4,732	4,732	25,957	19,799	29,226
Vote 9 - Balance Sheet		-	-	-	-	-	-	-	-	-	-	-
Vote 10 -		-	-	-	-	-	-	-	-	-	-	-
Vote 11 -		-	-	-	-	-	-	-	-	-	-	-
Vote 12 -		-	-	-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-	-	-
Vote 15 -		-	-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		31,083	-	-	-	-	-	8,919	8,919	40,002	31,999	32,831
<b>Total Capital Expenditure - Vote</b>		62,166	-	-	-	-	-	17,839	17,839	80,005	63,998	65,663
<b>Capital Expenditure - Standard</b>												
<b>Governance and administration</b>		-	-	-	-	-	-	-	-	-	-	-
Executive and council		-	-	-	-	-	-	-	-	-	-	-
Budget and treasury office		-	-	-	-	-	-	-	-	-	-	-
Corporate services		-	-	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		9,883	-	-	-	-	-	4,187	4,187	14,071	12,200	3,605
Community and social services		5,000	-	-	-	-	-	7,442	7,442	12,442	6,200	-
Sport and recreation		4,883	-	-	-	-	-	(3,755)	(3,755)	1,129	6,000	3,605
Public safety		-	-	-	-	-	-	500	500	500	-	-
Housing		-	-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		-	-	-	-	-	-	-	-	-	-	-
Planning and development		-	-	-	-	-	-	-	-	-	-	-
Road transport		-	-	-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>		-	-	-	-	-	-	1,401	1,401	1,401	-	-
Electricity		-	-	-	-	-	-	1,401	1,401	1,401	-	-
Water		-	-	-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-	-	-
<b>Other</b>		21,200	-	-	-	-	-	3,332	3,332	24,532	19,799	29,226
<b>Total Capital Expenditure - Standard</b>	3	31,083	-	-	-	-	-	8,920	8,920	40,003	31,999	32,831
<b>Funded by:</b>												
National Government		21,083	-	-	-	-	-	-	-	21,083	21,999	22,831
Provincial Government		-	-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-	-
<b>Total Capital transfers recognised</b>	4	21,083	-	-	-	-	-	-	-	21,083	21,999	22,831
<b>Public contributions &amp; donations</b>		-	-	-	-	-	-	-	-	-	-	-
<b>Borrowing</b>		-	-	-	-	-	-	-	-	-	-	-
<b>Internally generated funds</b>		10,000	-	-	-	-	-	8,920	8,920	18,920	10,000	10,000
<b>Total Capital Funding</b>		31,083	-	-	-	-	-	8,920	8,920	40,003	31,999	32,831

## **Explanatory notes to Table B5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

- Table B5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (single - year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
- Single-year capital expenditure increase from R33.4 million to R40 million in the adjustment budget.
- The Municipality has budgeted R18.9 million own source funds to finance capital projects.
- The municipality has not budgeted for any long term borrowing to fund the capital programme.



LIM366 Bela Bela - Table B6 Adjustments Budget Financial Position -

Budget Year 2014/15												Budget Year +1 2015/16	Budget Year +2 2016/17
Description	Ref	Original Budget	Prior Adjusted 3 A1	Accum. Funds 4 B	Multi-year capital 5 C	Unfore. Unavoid. 6 D	Nat. or Prov. Govt 7 E	Other Adjusts. 8 F	Total Adjusts. 9 G	Adjusted Budget 10 H	Adjusted Budget	Adjusted Budget	
R thousands		A		B	C	D	E	F	G	H			
ASSETS													
Current assets													
Cash		–						37,200	37,200	37,200	39,520	42,400	
Call investment deposits	1	–	–	–	–	–	–	–	–	–	–	–	
Consumer debtors	1	37,500	–	–	–	–	–	–	–	37,500	43,125	49,594	
Other debtors		2,100						–	–	2,100			
Current portion of long-term receivables		–						–	–	–	2,300	2,650	
Inventory		142						–	–	142	158	173	
Total current assets		39,742	–	–	–	–	–	37,200	37,200	76,942	85,103	94,817	
Non current assets													
Long-term receivables		–						–	–	–	–	–	
Investments		10,000						–	–	10,000	10,000	10,000	
Investment property		–						–	–	–	–	–	
Investment in Associate		–						–	–	–	–	–	
Property, plant and equipment	1	356,467	–	–	–	–	–	–	–	356,467	357,238	357,939	
Agricultural		–						–	–	–	–	–	
Biological		–						–	–	–	–	–	
Intangible		1,985						–	–	1,985	1,934	1,883	
Other non-current assets		–						–	–	–	–	–	
Total non current assets		368,452	–	–	–	–	–	–	–	368,452	369,172	369,822	
TOTAL ASSETS		408,194	–	–	–	–	–	37,200	37,200	445,394	454,275	464,639	
LIABILITIES													
Current liabilities													
Bank overdraft		–						–	–	–	–	–	
Borrowing		331	–	–	–	–	–	–	–	331	316	301	
Consumer deposits		–						–	–	–	–	–	
Trade and other payables		27,443	–	–	–	–	–	–	–	27,443	26,885	22,457	
Provisions		–						–	–	–	–	–	
Total current liabilities		27,774	–	–	–	–	–	–	–	27,774	27,201	22,758	
Non current liabilities													
Borrowing	1	10,806	–	–	–	–	–	–	–	10,806	10,821	10,836	
Provisions	1	41,144	–	–	–	–	–	–	–	41,144	44,587	47,930	
Total non current liabilities		51,950	–	–	–	–	–	–	–	51,950	55,408	58,766	
TOTAL LIABILITIES		79,724	–	–	–	–	–	–	–	79,724	82,609	81,524	
NET ASSETS	2	328,470	–	–	–	–	–	37,200	37,200	365,670	371,666	383,115	
COMMUNITY WEALTH/EQUITY													
Accumulated Surplus/(Deficit)		328,470	–	–	–	–	–	37,200	37,200	365,670	371,666	340,714	
Reserves		–		–	–	–	–	–	–	–	–	–	
TOTAL COMMUNITY WEALTH/EQUITY		328,470	–	–	–	–	–	37,200	37,200	365,670	371,666	340,714	

## Explanatory notes to Table B6 - Budgeted Financial Position

- Table B6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
- This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
- Table B6 is supported by an extensive table of notes providing a detailed analysis of the major components of a number of items, including:
  - Call investments deposits;
  - Consumer debtors;
  - Property, plant and equipment;
  - Trade and other payables;
  - Provisions non-current liabilities;
  - Changes in net assets; and
  - Reserves

- The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
- Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

LIM366 Bela Bela - Table B7 Adjustments Budget Cash Flows -

Description	Ref	Budget Year 2014/15									Budget Year +1 2015/16	Budget Year +2 2016/17
		Original Budget	Prior Adjusted 3 A1	Accum. Funds 4 B	Multi-year capital 5 C	Unfore. Unavoid. 6 D	Nat. or Prov. Govt 7 E	Other Adjusts. 8 F	Total Adjusts. 9 G	Adjusted Budget 10 H	Adjusted Budget	Adjusted Budget
		A	A1	B	C	D	E	F	G	H		
<b>R thousands</b>												
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>												
<b>Receipts</b>												
Ratepayers and other		235,565						233,004	233,004	468,569	256,619	275,607
Government - operating	1	60,905						1,000	1,000	61,905	69,417	74,565
Government - capital	1	22,193						-	-	22,193	23,157	24,033
Interest		10,709						1,624	1,624	12,333	11,287	11,897
Dividends		-						-	-	-	-	-
<b>Payments</b>												
Suppliers and employees		(268,439)						(277,890)	(277,890)	(546,329)	(280,899)	(298,095)
Finance charges		(3,100)						2,000	2,000	(1,100)	(3,100)	(3,100)
Transfers and Grants	1	-						-	-	-	-	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		57,833	-	-	-	-	-	(40,262)	(40,262)	17,571	76,481	84,906
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>												
<b>Receipts</b>												
Proceeds on disposal of PPE		-						3,300	3,300	3,300	-	-
Decrease (increase) in non-current debtors		-						-	-	-	-	-
Decrease (increase) other non-current receivables		-						-	-	-	-	-
Decrease (increase) in non-current investments		-						-	-	-	-	-
<b>Payments</b>												
Capital assets		(32,193)						(7,810)	(7,810)	(40,003)	(33,157)	(34,033)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		(32,193)	-	-	-	-	-	(4,510)	(4,510)	(36,703)	(33,157)	(34,033)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>												
<b>Receipts</b>												
Short term loans		-						-	-	-	-	-
Borrowing long term/refinancing		-						-	-	-	-	-
Increase (decrease) in consumer deposits		-						-	-	-	-	-
<b>Payments</b>												
Repayment of borrowing		-						-	-	-	-	-
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		-	-	-	-	-	-	-	-	-	-	-
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		25,640	-	-	-	-	-	(44,772)	(44,772)	(19,132)	43,324	50,873
Cash/cash equivalents at the year begin:	2	55,875								55,875	36,743	-
Cash/cash equivalents at the year end:	2	81,515	-	-	-	-	-	(44,772)		36,743	80,067	50,873

### Explanatory notes to Table B7 - Budgeted Cash Flow Statement

- The budgeted cash flow statement is the first measurement in determining if the budget is funded;
- It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
- Net cash inflow from operating activities has been adjusted downwards from R42.1 million to R1.9 million, this is as a result of increase in operating expenditure as outlines in section 1.3.4 above.
- Net cash outflow from investing activities has been adjusted upwards from 32.1 million to 8.6 million.
- Net cash inflow from Financing activities has been adjusted upwards to R13.1 million, this is mainly as a result of increase in consumer deposits, The restructuring of INCA loan to be repaid in shorter term has also contributed to the change in net cash flow from financing activities.
- Cash and cash equivalent at the end of the financial year is forecasted to be R37 million, this surplus funds will be utilised for the future capital projects financing.

LIM366 Bela Bela - Table B8 Cash backed reserves/accumulated surplus reconciliation -

Description	Ref	Budget Year 2014/15									Budget Year +1 2015/16	Budget Year +2 2016/17
		Original Budget	Prior Adjusted 3 A1	Accum. Funds 4 B	Multi-year capital 5 C	Unfore. Unavoid. 6 D	Nat. or Prov. Govt 7 E	Other Adjusts. 8 F	Total Adjusts. 9 G	Adjusted Budget 10 H	Adjusted Budget	Adjusted Budget
		A	A1	B	C	D	E	F	G	H		
R thousands												
<u>Cash and investments available</u>												
Cash/cash equivalents at the year end	1	65 853	–	–	–	–	–	(28 852)	(28 852)	37 000	40 000	42 000
Other current investments > 90 days		(65 853)	–	–	–	–	–	65 852	65 852	(0)	(0)	0
Non current assets - Investments	1	10 000	–	–	–	–	–	(10 000)	(10 000)	–	10 000	10 000
Cash and investments available:		10 000	–	–	–	–	–	27 000	27 000	37 000	50 000	52 000
<u>Applications of cash and investments</u>												
Unspent conditional transfers		–	–	–	–	–	–	–	–	–	–	–
Unspent borrowing									–	–		
Statutory requirements									–	–		
Other working capital requirements	2	(12 157)	–					39 600	39 600	27 443	32 881	22 457
Other provisions									–	–		
Long term investments committed		–	–					–	–	–	–	–
Reserves to be backed by cash/investments		–	–					–	–	–	–	–
Total Application of cash and investments:		(12 157)	–	–	–	–	–	39 600	39 600	27 443	32 881	22 457
Surplus(shortfall)		22 157	–	–	–	–	–	(12 600)	(12 600)	9 557	17 119	29 543

### Explanatory notes to Table B8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

- The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
- In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
- The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
- Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.

LIM366 Bela Bela - Table B9 Asset Management -

Description	Ref	Budget Year 2014/15									Budget Year +1 2015/16	Budget Year +2 2016/17
		Original Budget A	Prior Adjusted 7 A1	Accum. Funds 8 B	Multi-year capital 9 C	Unfore. Unavoid. 10 D	Nat. or Prov. Govt 11 E	Other Adjusts. 12 F	Total Adjusts. 13 G	Adjusted Budget 14 H	Adjusted Budget	Adjusted Budget
R thousands												
CAPITAL EXPENDITURE												
<u>Total New Assets to be adjusted</u>	1	32 193	-	-	-	-	-	4 122	4 122	36 315	33 157	34 033
Infrastructure - Road transport		14 980	-	-	-	-	-	(1 037)	(1 037)	13 943	15 799	8 000
Infrastructure - Electricity		10 000	-	-	-	-	-	2 514	2 514	12 514	10 000	10 000
Infrastructure - Water		-	-	-	-	-	-	-	-	-	-	3 605
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	-	-	-	-	-	-	11 226
Infrastructure		24 980	-	-	-	-	-	1 477	1 477	26 457	25 799	32 831
Community		-	-	-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-	-	-
Other assets	6	7 213	-	-	-	-	-	2 645	2 645	9 858	7 358	1 202
Agricultural Assets		-	-	-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-	-	-
<u>Total Renewal of Existing Assets to be adjusted</u>	2	-	-	-	-	-	-	-	-	-	-	-
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	-	-	-	-	-	-
Community		-	-	-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-	-	-
Other assets	6	-	-	-	-	-	-	-	-	-	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-	-	-
<u>Total Capital Expenditure to be adjusted</u>	4	-	-	-	-	-	-	-	-	-	-	-
Infrastructure - Road transport		14 980	-	-	-	-	-	(1 037)	(1 037)	13 943	15 799	8 000
Infrastructure - Electricity		10 000	-	-	-	-	-	2 514	2 514	12 514	10 000	10 000
Infrastructure - Water		-	-	-	-	-	-	-	-	-	-	3 605
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	-	-	-	-	-	-	11 226
Infrastructure		24 980	-	-	-	-	-	1 477	1 477	26 457	25 799	32 831
Community		-	-	-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-	-	-
Other assets	6	7 213	-	-	-	-	-	2 645	2 645	9 858	7 358	1 202
Agricultural Assets		-	-	-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE to be adjusted	2	32 193	-	-	-	-	-	4 122	4 122	36 315	33 157	34 033
ASSET REGISTER SUMMARY - PPE (WDV)												
Infrastructure - Road transport	5								-	-		
Infrastructure - Electricity									-	-		
Infrastructure - Water									-	-		
Infrastructure - Sanitation									-	-		
Infrastructure - Other								697 974	697 974	697 974	767 771	844 548
Infrastructure		-	-	-	-	-	-	697 974	697 974	697 974	767 771	844 548
Community									-	-		
Heritage assets									-	-		
Investment properties									-	-		
Other assets									-	-		
Intangibles									-	-		
Agricultural Assets									-	-		
Biological assets									-	-		
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	-	-	-	-	-	-	697 974	697 974	697 974	767 771	844 548
EXPENDITURE OTHER ITEMS												
<u>Depreciation &amp; asset impairment</u>	3	22 040	-	-	-	-	-	(8 000)	(8 000)	14 040	32 680	36 272
<u>Repairs and Maintenance by asset class</u>	3	-	-	-	-	-	-	15 971	15 971	15 971	20 000	22 000
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	-	-	-	-	-	-
Community		-	-	-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-	-	-
Other assets	6	-	-	-	-	-	-	15 971	15 971	15 971	20 000	22 000
TOTAL EXPENDITURE OTHER ITEMS to be adjusted		22 040	-	-	-	-	-	7 971	7 971	30 011	52 680	58 272
% of capital exp on renewal of assets		0.0%	0.0%							0.0%	0.0%	0.0%
Renewal of existing assets as % of deprecn		0.0%	0.0%							0.0%	0.0%	0.0%
R&M as a % of PPE		0.0%	0.0%							2.3%	2.6%	2.6%
Renewal and R&M as a % of PPE		0.0%	0.0%							2.3%	2.6%	2.6%

### Explanatory notes to Table B9 - Asset Management

- Table B9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
- The table shows that all of the capital allocations are for new assets.
- National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE.

LIM366 Bela Bela - Table B10 Basic service delivery measurement -

Description	Ref	Budget Year 2014/15									Budget Year +1 2015/16	Budget Year +2 2016/17
		Original Budget	Prior Adjusted 7	Accum. Funds 8	Multi-year capital 9	Unfore. Unavoid. 10	Nat. or Prov. Govt 11	Other Adjusts. 12	Total Adjusts. 13	Adjusted Budget 14	Adjusted Budget	Adjusted Budget
		A	A1	B	C	D	E	F	G	H		
<b>Household service targets (000)</b>	1											
<b>Water:</b>												
Piped water inside dwelling		2							-	2	2150	2650
Piped water inside yard (but not in dwelling)		2							-	2	2150	2650
Using public tap (at least min.service level)	2	2							-	2	2150	2650
Other water supply (at least min.service level)		2							-	2	2	3
<i>Minimum Service Level and Above sub-total</i>		7	-	-	-	-	-	-	-	7	9	11
Using public tap (< min.service level)	3								-	-		
Other water supply (< min.service level)	3,4	11							-	11	9868	9868
No water supply									-	-		
<i>Below Minimum Service Level sub-total</i>		11	-	-	-	-	-	-	-	11	10	10
<b>Total number of households</b>	5	18	-	-	-	-	-	-	-	18	18	20
<b>Sanitation/sewerage:</b>												
Flush toilet (connected to sewerage)		800							-	800	1 200	1 600
Flush toilet (with septic tank)		800							-	800	1 200	1 600
Chemical toilet		800							-	800	1 200	1 600
Pit toilet (ventilated)		800							-	800	1 200	1 600
Other toilet provisions (> min.service level)		800							-	800	1 200	1 600
<i>Minimum Service Level and Above sub-total</i>		4 000	-	-	-	-	-	-	-	4 000	6 000	8 000
Bucket toilet									-	-		
Other toilet provisions (< min.service level)		14 068							-	14 068	12 068	11 000
No toilet provisions									-	-		
<i>Below Minimum Service Level sub-total</i>		14 068	-	-	-	-	-	-	-	14 068	12 068	11 000
<b>Total number of households</b>	5	18 068	-	-	-	-	-	-	-	18 068	18 068	19 000
<b>Energy:</b>												
Electricity (at least min. service level)		450							-	450	600	750
Electricity - prepaid (> min.service level)		450							-	450	600	750
<i>Minimum Service Level and Above sub-total</i>		900	-	-	-	-	-	-	-	900	1 200	1 500
Electricity (< min.service level)									-	-		
Electricity - prepaid (< min. service level)									-	-		
Other energy sources									-	-		
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	5	900	-	-	-	-	-	-	-	900	1 200	1 500
<b>Refuse:</b>												
Removed at least once a week (min.service)		9 500							-	9 500	9 500	9 600
<i>Minimum Service Level and Above sub-total</i>		9 500	-	-	-	-	-	-	-	9 500	9 500	9 600
Removed less frequently than once a week									-	-		
Using communal refuse dump									-	-		
Using own refuse dump									-	-		
Other rubbish disposal									-	-		
No rubbish disposal									-	-		
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	5	9 500	-	-	-	-	-	-	-	9 500	9 500	9 600
<b>Households receiving Free Basic Service</b>	15											
Water (6 kilolitres per household per month)		5 040							-	5 040	5 960	6 880
Sanitation (free minimum level service)		5 040							-	5 040	5 960	6 880
Electricity/other energy (50kwh per household per month)		5 040							-	5 040	5 960	6 880
Refuse (removed at least once a week)		5 040							-	5 040	5 960	6 880
<b>Cost of Free Basic Services provided (R'000)</b>	16											
Water (6 kilolitres per household per month)		850							-	850	850	850
Sanitation (free sanitation service)		850							-	850	850	850
Electricity/other energy (50kwh per household per month)		850							-	850	850	850
Refuse (removed once a week)		850							-	850	850	850
<b>Total cost of FBS provided (minimum social pack)</b>		3 400	-	-	-	-	-	-	-	3 400	3 400	3 400
<b>Highest level of free service provided</b>												
Property rates (R'000 value threshold)		50 000 000							-	50 000 000	50 000 000	50 000 000
Water (kilolitres per household per month)		6 000							-	6 000	6 000	6 000
Sanitation (kilolitres per household per month)		6 000							-	6 000	6 000	6 000
Sanitation (Rand per household per month)		6 000							-	6 000	6 000	6 000
Electricity (kw per household per month)		50							-	50	50	50
Refuse (average litres per week)		5							-	5	5	5
<b>Revenue cost of free services provided (R'000)</b>	17											
Property rates (R15 000 threshold rebate)		600							-	600	600	600
Property rates (other exemptions, reductions and rebates)		2 000							-	2 000	2 000	2 000
Water		2 200							-	2 200	2 200	2 200
Sanitation		1 500							-	1 500	1 500	1 500
Electricity/other energy		3 500							-	3 500	3 500	3 500
Refuse		1 500							-	1 500	1 500	1 500
Municipal Housing - rental rebates		100							-	100	100	100
Housing - top structure subsidies	6	-							-	-	-	-
Other		-							-	-	-	-
<b>Total revenue cost of free services provided (total services)</b>		11 400	-	-	-	-	-	-	-	11 400	11 400	11 400

### Explanatory notes to Table B10 - Basic Service Delivery Measurement

- Table B10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
- The municipality continues to make good progress with the eradication of backlogs:
  - Water services – backlog will be reduced by 1500 households in 2014/15. These households are largely found in ‘reception areas’ such as Rapotokwane and Masakhane. Department of water affairs has launched more than R14 million water project in Rapotokwane which will result in higher reduction of the backlog.
  - Sanitation services – backlog will be reduced by 1 050 households over the MTREF.
  - Electricity services – as with sanitation, backlog will be reduced by 1 050 households. The emphasis in the electricity sector is on addressing urgent network upgrades. Once the most pressing network issues have been addressed, the electrification programme will be prioritised to cater for new developments.



## Part 2 – SUPPORTING DOCUMENTATION

### 2.1 Adjustment budget assumptions

Except for the factors outlined below, the assumptions that underlined the approved 2014/15 MTREF still hold. The following factors were taken into consideration when compiling this adjustments budget.

#### 2.1.1 Collection rate for revenue services

The rate of revenue collection for services is currently expressed as a percentage (around 95.0 per cent) of annualised billing. In the 2014/15 original budget collection rate has been forecasted at 85%. Budgeted revenue has not been adjusted upwards with the increased collection rate because the Municipality is taking conservative approach in the adjustment budget. During the financial year credit control was effectively implemented, debt collectors were also contracted and this pushed the collection rate to over 95%. For the past six months the collection rate has moderated around 95%.

### 2.2 Adjustment budget funding

Except for the factors outlined below, the funding model underlined the approved 2014/15 MTREF still hold.

- Table 4 below is a reconciliation showing that operating and capital expenditure remain funded in accordance with section 8 of the Act:

Table 4: Adjustment budget funding		
Description	Amount (R,000 )	Total (R,000 )
Sources of funds		339 435
<i>Realistically anticipated revenues</i>	307 242	
<i>Cash-backed accumulated funds</i>	10 000	
<i>Borrowed funds</i>	-	
<i>Municipal Infrastructure Grant</i>	22 193	
Expenditure		-333 033
<i>Operating Expenditure</i>	- 293 030	
<i>Capital Expenditure</i>	-40 003	
<b>Surplus</b>		<b>6 402</b>

- The Municipality had an auction during July 2014 where all old, redundant assets were sold, the total proceeds from sale amounted to R3.3 million.
- The Municipality took a resolution during August 2014 to restructure the long term loan, this will result in a loan having to be repaid in lesser term.

## **2.3 Adjustment on allocations and grant programmes**

There were no adjustments to the allocations and grants except the correction of original budget on Department of Water Affairs' (DWAF) R1 million Rapotokwane project which was incorrectly accounted for as donation in the original budget. The DWAF grant has now been properly budgeted as grants in the adjustment budget.

## **2.4 Adjustment to allocations made by the Municipality**

Bela-Bela Local Municipality is not intending to make any allocations in the 2014/15 financial year. There are no adjustments to allocations

## **2.5 Adjustment to councillors allowances and employee cost**

There were no adjustments to the councillors allowances and employee cost except immaterial correction of errors in the original budget.

## **2.6 Adjustment to service delivery and budget implementation plan**

The 2015/15 SDBIP Adjustment will be prepared in the context of the 2014/15 Adjustment Budget. In a sense, the report must also highlights areas where targets have been adjusted due to the influence of the decisions on the budget adjustment side. Most importantly, the budget adjustment as well as any adjustment to the SDBIP is done in total alignment to the goals of the municipality as set out in the IDP. Any unavoidable deviation from the Adjusted SDBIP will be dealt with during the revision of the IDP, taking into consideration all necessary legislative requirements.

In addition, the report will also capture changes that have occurred during the past 2 Quarters of the year, such as structural changes that have brought about relocation of certain KPIs/targets among and/or within department/divisions.

The following generic principles will be followed with the drafting of the SDBIP adjustment.

Department will be requested to review their targets:

- so that cases where obvious errors in judgement in target setting occurred could be corrected
- to deal decisively with indicators that departments are required to report on, on a monthly basis that are not reflective of their core business, or which cannot be accurately measured
- to reflect the amendments to resource allocation as captured in the Adjusted MTREF submission prepared by the Budget & Treasury Department
- to appropriately accommodate and plan for the amendments that are necessitated by external funding increases and/or decreases

- with a view to evaluate the amount of target capability that will not be realised as a result of the reduced funds
- to evaluate if funds can be diverted from another source internally within agreed financial transfer mechanisms.

## 2.7 Adjustment to capital expenditure

Adjustments to capital expenditure has been covered in detail in section 1.3.5 above.

## 2.8 Municipal manager's quality certification

I **Morris Maluleka**, municipal manager of **Bela-Bela Local Municipality** hereby certify that the adjustments budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under that Act, and that the adjustments budget and supporting documentation are consistent with the Integrated Development Plan of the municipality.

Print Name\_\_\_\_\_

Municipal manager of \_\_\_\_\_

Signature \_\_\_\_\_

Date \_\_\_\_\_